

## AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF BRITTON	County LENAWEE
Audit Date FEBRUARY 28, 2005	Opinion Date MARCH 24, 2005	Date Accountant Report Submitted to State: AUGUST 2, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

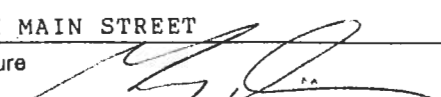
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.			
Street Address 121 NORTH MAIN STREET	City ADRIAN	State MI	ZIP 49221
Accountant Signature 			

**VILLAGE OF BRITTON, MICHIGAN**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED FEBRUARY 28, 2005**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

**VILLAGE OF BRITTON, MICHIGAN**  
**INDEPENDENT AUDITORS' REPORT**  
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**VILLAGE OF BRITTON, MICHIGAN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2005**

As management of the Village of Britton, Michigan, we offer readers of the Village of Britton, Michigan's financial statements this narrative overview and analysis of the financial activities of the Village of Britton, Michigan for the fiscal year ended February 28, 2005. We encourage readers to consider the information presented here.

**Financial Highlights**

- ◆ The assets of the Village of Britton, Michigan exceeded its liabilities at the close of the most recent fiscal year \$3,606,486 (*net assets*). Of this amount, \$1,006,908 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets decreased \$23,665. This decrease is attributable to depreciation expense of \$68,261.
- ◆ As of the close of the current year, the Village of Britton, Michigan's governmental funds reported combined ending fund balances of \$562,008, a decrease of \$99,141 in comparison with the prior year. The majority of this total amount is transfers to the Water and Sewer Funds (\$101,392).
- ◆ At the end of the current year, unreserved fund balance for the General Fund was \$309,707, or 76 percent of total General Fund expenditures.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Village of Britton, Michigan's basic financial statements. The Village of Britton, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Britton, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Britton, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Britton, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village of Britton, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Britton, Michigan include general government, public safety, highways and streets, sanitation, public works, and culture and recreation. The business-type activities of the Village of Britton, Michigan include utility systems.

The government-wide financial statements can be found on pages 5 – 7 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Britton, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Britton, Michigan can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Britton, Michigan maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds.

The Village of Britton, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with budget.

The basic governmental fund financial statements can be found on pages 8 – 15 of this report.

*Proprietary Fund.* The Village of Britton, Michigan maintains one type of Proprietary Fund. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Britton, Michigan uses Enterprise Funds to account for its Water and Sewer Funds.

A Proprietary Fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of the Village of Britton, Michigan.

The basic fund financial statements can be found on pages 16 – 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 31 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Britton, Michigan, assets exceeded liabilities by \$3,606,486 at the close of the most recent fiscal year.

By far the largest portion of the Village of Britton, Michigan's net assets (65 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Britton, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Britton, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Currently, the Village of Britton has no long-term debt.

### Village of Britton, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 573,928	\$ 698,791	\$ 1,272,719
Capital assets	<u>827,276</u>	<u>1,520,001</u>	<u>2,347,277</u>
Total assets	<u>\$ 1,401,204</u>	<u>\$ 2,218,792</u>	<u>\$ 3,619,996</u>
Current liabilities	<u>\$ 11,920</u>	<u>\$ 1,590</u>	<u>\$ 13,510</u>
Total liabilities	<u>\$ 11,920</u>	<u>\$ 1,590</u>	<u>\$ 13,510</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	\$ 827,276	\$ 1,520,001	\$ 2,347,277
Restricted	252,301		252,301
Unrestricted	<u>309,707</u>	<u>697,201</u>	<u>1,006,908</u>
Total net assets	<u>\$ 1,389,284</u>	<u>\$ 2,217,202</u>	<u>\$ 3,606,486</u>

An additional portion of the Village of Britton, Michigan's net assets (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$1,006,908) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village of Britton, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

### Financial Analysis of the Government's Funds

As noted earlier, the Village of Britton, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Village of Britton, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Britton, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, the Village of Britton, Michigan's governmental funds reported combined ending fund balances of \$562,008, a decrease of \$99,141 in comparison with the prior year. Special Revenue Funds have \$252,301 available for their special uses.

The General Fund is the chief operating fund of the Village of Britton, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$309,707.

The fund balance of the Village of Britton, Michigan's General Fund decreased by \$110,769 during the current fiscal year. Key factors in this decrease were transfers to the Water and Sewer Funds of (\$101,392) and a prior year adjustment of \$40,000 to the Water Fund.

**Proprietary Fund** - The Village of Britton, Michigan's Proprietary Fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility funds at the end of the year amounted to \$697,201. The total increase in net assets for the fund was \$102,617. This increase is effected by a prior year adjustment of \$40,000 to the Water Fund.

### General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were relatively minor and are summarized as follows:

- ◆ Increase in water testing due to false positive increase in bacterial level found in water.
- ◆ Increase in clerical wage expense due to clerk wages paid to a total of four clerks during position transitional period.
- ◆ Increase in labor wages due to summer help employee remaining year round to advance productivity.

### Capital Asset and Debt Administration

**Capital assets.** The Village of Britton, Michigan's investment in capital assets for its governmental and business-type activities as of February 28, 2005, amounts to \$2,347,277 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, machinery and equipment, roads, and highways. The total decrease in the Village of Britton, Michigan's investment in capital assets for the current fiscal year was 3% (a 3% decrease for governmental activities and a 3% percent decrease for business-type activities).

#### Village of Britton, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 24,425	\$ 107,083	\$ 131,508
Land improvements	7,573		7,573
Buildings	153,113		153,113
Equipment and furnishings	78,036		78,036
Vehicles	82,485		82,485
Infrastructure	481,644		481,644
Water system		656,791	656,791
Sewer system		756,127	756,127
Total	<u>\$ 827,276</u>	<u>\$ 1,520,001</u>	<u>\$ 2,347,277</u>

Additional information on the Village of Britton's capital assets can be found in Note 3 on pages 27 and 28.



### **Economic Factors and Next Year's Budgets and Rates**

- ◆ The occupancy rate of residents will increase with the construction of three new village homes. However, approximately seven homes in addition to new construction homes are currently unoccupied and for sale.
- ◆ The employment rate is expected to increase with the Jaytec project to post over 150 positions before 2006, in order to meet grant requirements.

### **Requests for Information**

This financial report is designed to provide a general overview of the Village of Britton, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Britton, 120 College Avenue, P.O. Box 436, Britton, Michigan 49229.

March 24, 2005

## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Britton  
Britton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Britton, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Britton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Britton, Michigan, as of February 28, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2005 on our consideration of Village of Britton, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

March 24, 2005

Village Council  
Village of Britton  
Britton, Michigan

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Britton, Michigan's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Robertson, Eaton & Owen, P.C.***

March 24, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Village Council  
Village of Britton  
Britton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Britton, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village of Britton, Michigan's basic financial statements and have issued our report thereon dated March 24, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Village of Britton, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

March 24, 2005

Bridgewater Township  
Washtenaw County, Michigan

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Village of Britton, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Village of Britton, Michigan, Departments of the State of Michigan, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***Robertson, Eaton & Owen, P.C.***

VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF NET ASSETS

February 28, 2005

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 251,529	\$ 632,925	\$ 884,454
Investments	305,959		305,959
Receivables (net)	10,276	68,530	78,806
Internal balances	6,164	(6,164)	
Prepaid supplies		3,500	3,500
<b>Capital assets:</b>			
Land	24,425	107,083	131,508
Land improvements	16,831		16,831
Buildings	234,357		234,357
Equipment, machinery, furnishings	171,385		171,385
Vehicles	135,644		135,644
Infrastructure – roads	1,044,531		1,044,531
Sewer system		2,086,574	2,086,574
Water system		887,995	887,995
Less: Accumulated depreciation	<u>(799,897)</u>	<u>(1,561,651)</u>	<u>(2,361,548)</u>
Total assets	<u>\$ 1,401,204</u>	<u>\$ 2,218,792</u>	<u>\$ 3,619,996</u>
<b>LIABILITIES:</b>			
Accounts payable	\$ 4,309	\$ 1,070	\$ 5,379
Accrued expenses	<u>7,611</u>	<u>520</u>	<u>8,131</u>
Total liabilities	<u>11,920</u>	<u>1,590</u>	<u>13,510</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	827,276	1,520,001	2,347,277
<b>Restricted for:</b>			
Highways and streets	252,301		252,301
Unrestricted	<u>309,707</u>	<u>697,201</u>	<u>1,006,908</u>
Total net assets	<u>\$ 1,389,284</u>	<u>\$ 2,217,202</u>	<u>\$ 3,606,486</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BRITTON, MICHIGAN**

**STATEMENT OF ACTIVITIES**

**For the Year Ended February 28, 2005**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
<b>Governmental activities:</b>				
General government	\$ 54,592	\$	\$	\$
Highways, streets, and bridges	76,955			
Sanitation	32,383	32,184		
Recreation	3,236			
Department of Public Works	50,101			
Public safety	10,009	8,403		
CDBG Grant	206,411			175,139
Other	<u>40,182</u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities	<u>473,869</u>	<u>40,587</u>	<u>-</u>	<u>175,139</u>
<b>Business-Type activities:</b>				
Water Fund	102,741	78,531		10,080
Sewer Fund	<u>79,264</u>	<u>42,763</u>	<u>          </u>	<u>4,924</u>
	<u>182,005</u>	<u>121,294</u>	<u>-</u>	<u>15,004</u>
Total primary government	<u>\$ 655,874</u>	<u>\$ 161,881</u>	<u>\$ -</u>	<u>\$ 190,143</u>

**General Revenues:**

Property taxes  
Intergovernmental – State  
Unrestricted investment earnings  
Miscellaneous  
Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning of year

Net assets – end of year

The notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Assets**  
**Primary Government**

<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
\$ (54,592)	\$	\$ (54,592)
(76,955)		(76,955)
(199)		(199)
(3,236)		(3,236)
(50,101)		(50,101)
(1,606)		(1,606)
(31,272)		(31,272)
<u>(40,182)</u>		<u>(40,182)</u>
<u>(258,143)</u>	<u>-</u>	<u>(258,143)</u>
	(14,130)	(14,130)
	<u>(31,577)</u>	<u>(31,577)</u>
<u>-</u>	<u>(45,707)</u>	<u>(45,707)</u>
<u>\$ (258,143)</u>	<u>\$ (45,707)</u>	<u>\$ (303,850)</u>
\$ 124,388	\$	\$ 124,388
115,528		115,528
4,738	6,932	11,670
28,599		28,599
<u>(141,392)</u>	<u>141,392</u>	<u></u>
<u>131,861</u>	<u>148,324</u>	<u>280,185</u>
(126,282)	102,617	(23,665)
<u>1,515,566</u>	<u>2,114,585</u>	<u>3,630,151</u>
<u>\$ 1,389,284</u>	<u>\$ 2,217,202</u>	<u>\$ 3,606,486</u>



**VILLAGE OF BRITTON, MICHIGAN**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**February 28, 2005**

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Totals Governmental Funds</u>
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 135,903	\$ 53,875	\$ 61,751	\$ 251,529
Investments	164,452	141,507		305,959
Accounts receivable	9,974	302		10,276
Due from other funds	<u>14,070</u>	<u>          </u>	<u>6,000</u>	<u>20,070</u>
Total assets	<u>\$ 324,399</u>	<u>\$ 195,684</u>	<u>\$ 67,751</u>	<u>\$ 587,834</u>
<b>LIABILITIES:</b>				
Accounts payable	\$ 3,935	\$ 187	\$ 187	\$ 4,309
Accrued liabilities	7,257	193	161	7,611
Due to other funds	<u>3,500</u>	<u>8,203</u>	<u>2,203</u>	<u>13,906</u>
Total liabilities	<u>14,692</u>	<u>8,583</u>	<u>2,551</u>	<u>25,826</u>
<b>FUND BALANCES:</b>				
Unreserved, reported in:				
General Fund	309,707			309,707
Major street		187,101		187,101
Local street	<u>          </u>	<u>          </u>	<u>65,200</u>	<u>65,200</u>
Total fund balances	<u>309,707</u>	<u>187,101</u>	<u>65,200</u>	<u>562,008</u>
Total liabilities and fund balances	<u>\$ 324,399</u>	<u>\$ 195,684</u>	<u>\$ 67,751</u>	<u>\$ 587,834</u>

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are  
not financial resources and, therefore, are not  
reported in the governmental funds.

\$ 827,276

Total fund balance in governmental funds

562,008

Total net assets of governmental activities

\$ 1,389,284

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BRITTON, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**For the Year Ended February 28, 2005**

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Totals Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 124,388	\$	\$	\$ 124,388
Intergovernmental – State	69,147	36,041	10,340	115,528
Intergovernmental – Federal	175,139			175,139
Licenses and permits	8,403			8,403
Interest earned	2,163	2,213	362	4,738
Miscellaneous	28,599			28,599
Solid waste/recycling	<u>32,184</u>	<u>          </u>	<u>          </u>	<u>32,184</u>
Total revenues	<u>440,023</u>	<u>38,254</u>	<u>10,702</u>	<u>488,979</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	51,835			51,835
Highways, streets, and bridges	4,611	19,030	18,298	41,939
Sanitation	32,383			32,383
Recreation	2,394			2,394
Department of Public Works	61,575			61,575
Public safety	10,009			10,009
CDBG Grant	206,411			206,411
Other	<u>40,182</u>	<u>          </u>	<u>          </u>	<u>40,182</u>
Total expenditures	<u>409,400</u>	<u>19,030</u>	<u>18,298</u>	<u>446,728</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,623</u>	<u>19,224</u>	<u>(7,596)</u>	<u>42,251</u>
<b>Other financing sources (uses):</b>				
Transfers in			6,000	6,000
Transfers out	<u>(101,392)</u>	<u>(6,000)</u>	<u>          </u>	<u>(107,392)</u>
Total other financing sources (uses)	<u>(101,392)</u>	<u>(6,000)</u>	<u>6,000</u>	<u>(101,392)</u>
Net changes in fund balances	(70,769)	13,224	(1,596)	(59,141)
Fund balances – beginning of year	420,476	173,877	66,796	661,149
Less: Adjustment to Water Fund	<u>(40,000)</u>	<u>          </u>	<u>          </u>	<u>(40,000)</u>
Fund balances – end of year	<u>\$ 309,707</u>	<u>\$ 187,101</u>	<u>\$ 65,200</u>	<u>\$ 562,008</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

February 28, 2005

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Net change in fund balance – total governmental funds including prior year adjustment.	\$ (99,141)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (Total depreciation \$68,261 less total capital outlays \$41,120).	<u>(27,141)</u>
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Change in net assets in governmental activities	<u>\$ (126,282)</u>
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The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BRITTON, MICHIGAN**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**For the Year Ended February 28, 2005**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual Amounts</u></b>	
<b>Revenues:</b>				
Property taxes	\$ 116,000	\$ 116,000	\$ 124,388	\$ 8,388
<b>Intergovernmental revenue – State:</b>				
State shared revenues	54,000	54,000	66,240	12,240
Liquor Control Funds	500	500	922	422
State maintenance fee			1,985	1,985
Total intergovernmental revenue – state	<u>54,500</u>	<u>54,500</u>	<u>69,147</u>	<u>14,647</u>
<b>Intergovernmental revenue – Federal:</b>				
CDBG Grant	<u>600,000</u>	<u>600,000</u>	<u>175,139</u>	<u>(424,861)</u>
<b>Licenses and permits:</b>				
Soliciting/garage sale permits	50	50		(50)
Building permits	1,000	1,000	6,635	5,635
Electrical permits			1,768	1,768
Total licenses and permits	<u>1,050</u>	<u>1,050</u>	<u>8,403</u>	<u>7,353</u>
Solid waste – recycling	<u>26,000</u>	<u>26,000</u>	<u>32,184</u>	<u>6,184</u>
<b>Miscellaneous revenues:</b>				
Collection fee	800	800	1,133	333
Miscellaneous	2,000	2,000	21,577	19,577
Donations			790	790
Late fees – utility bills	1,000	1,000	5,099	4,099
Interest	<u>1,500</u>	<u>1,500</u>	<u>2,163</u>	<u>663</u>
Total miscellaneous revenues	<u>5,300</u>	<u>5,300</u>	<u>30,762</u>	<u>25,462</u>
Total revenues	<u>802,850</u>	<u>802,850</u>	<u>440,023</u>	<u>(362,827)</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BRITTON, MICHIGAN**

**GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

For the Year Ended February 28, 2005

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>		
<b>Expenditures:</b>				
<b>General Government:</b>				
Municipal Council salaries and expense	\$ 4,950	\$ 3,450	\$ 2,928	\$ 522
Election expense		1,000	808	192
Clerk	1,200	1,700	1,360	340
Treasurer	2,000	2,000	1,877	123
Repairs and maintenance	20,000	6,000	3,130	2,870
Heat and lights	7,100	7,100	8,712	(1,612)
Beautification labor	8,500	5,500	3,274	2,226
Beautification miscellaneous	1,200	1,200	545	655
Office expense	3,400	3,400	5,178	(1,778)
Legal and auditing	5,000	7,500	8,043	(543)
Telephone	5,500	5,500	5,237	263
Advertising	2,900	2,900	3,045	(145)
Miscellaneous	<u>7,500</u>	<u>9,000</u>	<u>7,698</u>	<u>1,302</u>
Total general government	<u>69,250</u>	<u>56,250</u>	<u>51,835</u>	<u>4,415</u>
<b>Highways, Streets, and Bridges:</b>				
Vehicle repair and maintenance	12,000	12,000	12,043	(43)
Drain wages	1,200	3,200	2,967	233
Drain expense	3,000	3,000	2,081	919
Street lighting	8,500	8,500	8,385	115
Less: Equipment rental charged to other funds	<u>(9,512)</u>	<u>(9,512)</u>	<u>(20,865)</u>	<u>11,353</u>
Total highways, streets, and bridges	<u>15,188</u>	<u>17,188</u>	<u>4,611</u>	<u>12,577</u>
<b>Sanitation:</b>				
Trash pick up	1,200	4,200	4,041	159
Solid waste/recycling	<u>32,000</u>	<u>32,000</u>	<u>28,342</u>	<u>3,658</u>
Total sanitation	<u>33,200</u>	<u>36,200</u>	<u>32,383</u>	<u>3,817</u>
<b>Recreation:</b>				
Wages	3,000	3,000	2,151	849
Park expense	<u>1,200</u>	<u>1,200</u>	<u>243</u>	<u>957</u>
Total recreation	<u>4,200</u>	<u>4,200</u>	<u>2,394</u>	<u>1,806</u>
<b>Public Safety:</b>				
Police protection	4,500	4,500	3,701	799
Hydrant rental	3,500	3,500	3,500	
Building/electrical inspection	<u>3,200</u>	<u>9,200</u>	<u>2,808</u>	<u>6,392</u>
Total public safety	<u>11,200</u>	<u>17,200</u>	<u>10,009</u>	<u>7,191</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL

For the Year Ended February 28, 2005

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
<b>Expenditures: (Continued)</b>				
<b>Department of Public Works:</b>				
Wages	\$ 30,000	\$ 30,000	\$ 22,280	\$ 7,720
Material and supplies	5,800	9,800	9,386	414
Capital outlay	<u>46,000</u>	<u>44,000</u>	<u>29,909</u>	<u>14,091</u>
Total Department of Public Works	<u>81,800</u>	<u>83,800</u>	<u>61,575</u>	<u>22,225</u>
CDBG Grant – costs	<u>600,000</u>	<u>600,000</u>	<u>206,411</u>	<u>393,589</u>
<b>Other:</b>				
Health insurance	20,000	20,000	22,516	(2,516)
Sick time	3,000	3,000	4,865	(1,865)
Vacation time	6,500	6,500	4,683	1,817
Payroll taxes	7,000	7,000	7,656	(656)
Uniforms	2,000	2,000	1,732	268
Insurance	15,000	15,000	12,116	2,884
Planning Commission	2,000	2,000	840	1,160
Less: Benefits reclassified to other funds	<u>(6,488)</u>	<u>(6,488)</u>	<u>(14,226)</u>	<u>7,738</u>
Total other	<u>49,012</u>	<u>49,012</u>	<u>40,182</u>	<u>8,830</u>
Total expenditures	<u>863,850</u>	<u>863,850</u>	<u>409,400</u>	<u>454,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,000)</u>	<u>(61,000)</u>	<u>30,623</u>	<u>91,623</u>
<b>Other financing sources (uses):</b>				
Transfers in	61,000	61,000		(61,000)
Transfers out	<u>          </u>	<u>          </u>	<u>(101,392)</u>	<u>101,392</u>
Total other financing sources (uses)	<u>61,000</u>	<u>61,000</u>	<u>(101,392)</u>	<u>40,392</u>
Net change in fund balance			(70,769)	
Fund balance – beginning of year			420,476	
Adjustment to Water Development Funds			<u>(40,000)</u>	
Fund balance – end of year			\$ 309,707	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL

For the Year Ended February 28, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
<b>Intergovernmental revenues:</b>				
State	\$ 24,000	\$ 24,000	\$ 36,041	\$ 12,041
Interest income	<u>1,500</u>	<u>1,500</u>	<u>2,213</u>	<u>713</u>
Total revenues	<u>25,500</u>	<u>25,500</u>	<u>38,254</u>	<u>12,754</u>
<b>Expenditures:</b>				
<b>Administrative:</b>				
Clerk wages	1,000	1,000	1,133	(133)
Heavy maintenance	5,350	4,100	3,775	325
<b>Routine maintenance:</b>				
Labor	1,750	2,000	1,598	402
Payroll taxes	300	300	230	70
Health insurance	600	600	289	311
Materials and supplies	2,500	2,700	2,030	670
Equipment rental	1,400	2,150	1,834	316
Sick and holiday pay	250	250	205	45
Other cost	2,900	2,900	3,327	(427)
<b>Winter maintenance:</b>				
Labor and supplies	2,000	2,000	1,466	534
Equipment rental	<u>1,500</u>	<u>1,500</u>	<u>3,143</u>	<u>(1,643)</u>
Total expenditures	<u>19,550</u>	<u>19,500</u>	<u>19,030</u>	<u>470</u>
Excess of revenues over expenditures	5,950	6,000	19,224	13,224
<b>Other financing uses:</b>				
Transfers out	<u>(6,000)</u>	<u>(6,000)</u>	<u>(6,000)</u>	
Net change in fund balance	(50)	-	13,224	13,224
Fund balance – beginning of year			<u>173,877</u>	
Fund balance – end of year			<u>\$ 187,101</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

LOCAL STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL

For the Year Ended February 28, 2005

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget - Positive (Negative)</u>
<b>Revenues:</b>				
<b>Intergovernmental revenues:</b>				
State	\$ 6,800	\$ 9,800	\$ 10,340	\$ 540
Interest income	<u>300</u>	<u>300</u>	<u>362</u>	<u>62</u>
Total revenues	<u>7,100</u>	<u>10,100</u>	<u>10,702</u>	<u>602</u>
<b>Expenditures:</b>				
<b>Administrative:</b>				
Clerk wages	1,200	1,200	1,133	67
Heavy maintenance	2,000	7,000	7,436	(436)
<b>Routine maintenance:</b>				
Labor	1,000	1,250	1,009	241
Payroll taxes	300	300	190	110
Health insurance	600	600	268	332
Materials and supplies	2,800	1,800	1,578	222
Equipment rental	1,500	1,000	1,036	(36)
Sick and holiday pay	500	250	229	21
<b>Winter maintenance:</b>				
Labor and supplies	2,000	2,000	2,305	(305)
Equipment rental	<u>1,200</u>	<u>700</u>	<u>3,114</u>	<u>(2,414)</u>
Total expenditures	<u>13,100</u>	<u>16,100</u>	<u>18,298</u>	<u>(2,198)</u>
Deficiency of revenues under expenditures	(6,000)	(6,000)	(7,596)	(1,596)
<b>Other financing sources:</b>				
Transfers in	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	
Net change in fund balance	-	-	(1,596)	(1,596)
Fund balance – beginning of year			<u>66,796</u>	
Fund balance – end of year			<u>\$ 65,200</u>	

The notes to the financial statements are an integral part of this statement.



VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

February 28, 2005

Business-Type Activities – Enterprise Funds

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals Proprietary Funds</u>
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and investments in bank	\$ 100,292	\$ 532,633	\$ 632,925
<b>Receivables:</b>			
Water usage	17,074		17,074
Sewer usage		9,052	9,052
Grants	4,871		4,871
Special assessment		36,576	36,576
Other		125	125
Due from other funds	3,500	202	3,702
Prepaid supplies	3,500		3,500
Interest receivable		832	832
Total current assets	<u>129,237</u>	<u>579,420</u>	<u>708,657</u>
<b>Capital assets:</b>			
Land	107,083		107,083
Water Fund	809,366		809,366
Sewer Fund		2,086,574	2,086,574
Land improvements	55,774		55,774
Equipment	22,855		22,855
Less: Accumulated depreciation	<u>(231,204)</u>	<u>(1,330,447)</u>	<u>(1,561,651)</u>
Total capital assets – net	<u>763,874</u>	<u>756,127</u>	<u>1,520,001</u>
Total assets	<u>\$ 893,111</u>	<u>\$ 1,335,547</u>	<u>\$ 2,228,658</u>
<b>LIABILITIES:</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,070	\$	\$ 1,070
Accrued payroll	240	280	520
Due to other funds	<u>8,438</u>	<u>1,428</u>	<u>9,866</u>
Total current liabilities	<u>9,748</u>	<u>1,708</u>	<u>11,456</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	763,874	756,127	1,520,001
Unrestricted	<u>119,489</u>	<u>577,712</u>	<u>697,201</u>
Total net assets	<u>\$ 883,363</u>	<u>\$ 1,333,839</u>	<u>\$ 2,217,202</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF BRITTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended February 28, 2005

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals Proprietary Funds</u>
<b>Operating revenues:</b>			
Water charges	\$ 60,490	\$	\$ 60,490
Sewer usage fee		38,418	38,418
Other	<u>18,041</u>	<u>4,345</u>	<u>22,386</u>
Total operating revenues	<u>78,531</u>	<u>42,763</u>	<u>121,294</u>
<b>Operating expenses:</b>			
Administrative wages	4,489	4,412	8,901
Wages	24,393	4,272	28,665
Employee benefits	6,053	911	6,964
Water treatment and testing	4,200	650	4,850
Materials and supplies	15,740		15,740
Legal and accounting fees	889	1,422	2,311
Equipment rental	8,643	2,557	11,200
Utilities	3,464	1,324	4,788
Miscellaneous	895	5,193	6,088
Depreciation	31,984	57,900	89,884
Payroll withholding	<u>1,991</u>	<u>623</u>	<u>2,614</u>
Total operating expenses	<u>102,741</u>	<u>79,264</u>	<u>182,005</u>
Operating loss	<u>(24,210)</u>	<u>(36,501)</u>	<u>(60,711)</u>
<b>Nonoperating revenues:</b>			
Interest income	1,484	5,448	6,932
Sewer capital reserve fees		4,924	4,924
Water capital improvement fees	<u>10,080</u>		<u>10,080</u>
Total nonoperating revenues	<u>11,564</u>	<u>10,372</u>	<u>21,936</u>
Net loss before transfers	(12,646)	(26,129)	(38,775)
Transfers in	<u>68,196</u>	<u>33,196</u>	<u>101,392</u>
Change in net assets	55,550	7,067	62,617
Total net assets – beginning of year	787,813	1,326,772	2,114,585
Add: Adjustment of Water Development Funds	<u>40,000</u>		<u>40,000</u>
Total net assets – end of year	<u>\$ 883,363</u>	<u>\$ 1,333,839</u>	<u>\$ 2,217,202</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BRITTON, MICHIGAN**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**For the Year Ended February 28, 2005**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<u><b>Business-Type Activities – Enterprise Funds</b></u>		
	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Totals Proprietary Funds</b></u>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 78,531	\$ 42,763	\$ 121,294
Cash paid to suppliers and employees	<u>(226,101)</u>	<u>(11,668)</u>	<u>(237,769)</u>
Net cash provided by (used in) operating activities	<u>(147,570)</u>	<u>31,095</u>	<u>(116,475)</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	<u>(20,486)</u>	<u>(20,486)</u>	<u>(40,972)</u>
Net cash used in capital and related financing activities	<u>(20,486)</u>	<u>(20,486)</u>	<u>(40,972)</u>
<b>Cash flows from investing activities:</b>			
Interest received	<u>1,484</u>	<u>5,448</u>	<u>6,932</u>
Net cash provided by investing activities	<u>1,484</u>	<u>5,448</u>	<u>6,932</u>
<b>Cash flows from financing activities:</b>			
Sewer capital reserve fee		4,924	4,924
Water capital improvement fees	10,080		10,080
Transfers from other funds	<u>108,196</u>	<u>33,196</u>	<u>141,392</u>
Net cash provided by financing activities	<u>118,276</u>	<u>38,120</u>	<u>156,396</u>
Net increase (decrease) in cash and cash equivalents	(48,296)	54,177	5,881
Cash and cash equivalents at beginning of year	<u>148,588</u>	<u>478,456</u>	<u>627,044</u>
Cash and cash equivalents at end of year	<u>\$ 100,292</u>	<u>\$ 532,633</u>	<u>\$ 632,925</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BRITTON, MICHIGAN**  
**COMBINED STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

For the Year Ended February 28, 2005

**RECONCILIATION OF NET OPERATING LOSS TO NET CASH  
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>Business-Type Activities – Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals Proprietary Funds</u>
Net operating loss	\$ (24,210)	\$ (36,501)	\$ (60,711)
<b>Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:</b>			
Depreciation expense	31,984	57,900	89,884
<b>(Increase) decrease in:</b>			
Accounts receivable	94,190	108,949	203,139
Due from other funds	2,000	8,384	10,384
<b>Increase (decrease) in:</b>			
Accounts payable and other liabilities	(115,690)	(106,161)	(221,851)
Due to other funds	<u>(135,844)</u>	<u>(1,476)</u>	<u>(137,320)</u>
Net cash provided by (used in) operating activities	<u>\$ (147,570)</u>	<u>\$ 31,095</u>	<u>\$ (116,475)</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Village of Britton, Michigan (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective March 1, 2004, the Village of Britton, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Village’s activities.
- ◆ A change in the fund financial statements to focus on the major fund.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village of Britton, Michigan has elected to implement the general provisions of the statement.

**A. Reporting Entity**

The Village of Britton is a Michigan Municipal Corporation governed by the Village Council. The accompanying financial statements present the government and entities for which the government is considered to be financially accountable.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**The government reports the following major governmental funds:**

The *General Fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Major Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The *Local Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

**The government reports the following major proprietary funds:**

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Village's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Village's sewer system.

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of the following subsequent private-sector guidance for their business-type activities (Water and Sewer Funds), subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds relate to charges to customers for sales and services. Operating expenses for the funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Assets, liabilities, and net assets or equity.**

**1. Cash and investments**

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include money market and certificates of deposit where the intent is to hold funds long-term, as well as investments with maturity dates over three months of the date acquired by the government.

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Village Council will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

**2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Village had no advances between funds at February 28, 2005.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

The Village of Britton's tax bills are for the period from July 1 to June 30. The taxes are based on the assessed valuations as of December 31 of the preceding year. Taxes collected for the period from July 1, 2004 to June 30, 2005 based on assessments as of December 31, 2002 are recorded as revenues in the Village's fiscal year ended February 28, 2005.

Since the County through revolving funds obtains the delinquent real property taxes for the Village, the sixty (60) day rule does not apply to such delinquent taxes receivable.

The Village had a general tax millage 9.9783 for 2004. The Village's maximum allowable millage is 12 mills. Total taxable value of Village property was \$14,669,066.

**3. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.



**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land improvements	20
Buildings	75
Machinery, equipment, and furnishings	15 – 20
Utility systems	10 – 50
Infrastructure	20 – 50

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

The accounting basis used by the Village for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Village follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Village have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

February 28, 2005

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

**B. Excess of expenditures over appropriations in budgetary funds**

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the function/activity level.

During the year ended February 28, 2005, the Village incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
<b>General Government:</b>			
Heat and light	\$ 7,100	\$ 8,712	\$ 1,612
Office expense	3,400	5,178	1,778
Legal and auditing	7,500	8,043	543
Advertising	2,900	3,045	145
<b>Major Street:</b>			
Administrative	1,000	1,133	133
Winter maintenance	3,500	4,609	1,109
<b>Local Street:</b>			
Heavy maintenance	7,000	7,436	436
Winter maintenance	2,700	5,419	2,719

These additional expenditures were funded by greater than anticipated revenues in the case of the General Fund.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

**Primary Government**

**Deposits.** At year end, the carrying value of the Village's deposits was \$1,190,413 and the bank balance was \$1,254,809. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Village or by its agent in the Village's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Village's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Village's name.)

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Village increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

	<u><b>CATEGORIES</b></u>			
	<u><b>1</b></u>	<u><b>2</b></u>	<u><b>3</b></u>	<u><b>Total</b></u>
United Bank & Trust Accounts	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,154,809</u>	<u>\$ 1,254,809</u>

**B. Receivables**

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u><b>General</b></u>	<u><b>Major Streets</b></u>	<u><b>Local Streets</b></u>	<u><b>Water Fund</b></u>	<u><b>Sewer Fund</b></u>	<u><b>Total</b></u>
<b>Receivables:</b>						
Taxes	\$ 9,447	\$	\$	\$	\$	\$ 9,447
Accounts				17,074	9,052	26,126
Special assessments					36,576	36,576
Intergovernmental				4,871		4,871
Accrued interest	<u>527</u>	<u>302</u>			<u>125</u>	<u>954</u>
Net total receivables	<u>\$ 9,974</u>	<u>\$ 302</u>	<u>\$ -</u>	<u>\$ 21,945</u>	<u>\$ 45,753</u>	<u>\$ 77,974</u>

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Capital assets**

Capital asset activity for the year ended February 28, 2005 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 24,425	\$ -	\$ -	\$ 24,425
Total capital assets, not being depreciated	<u>24,425</u>	<u>-</u>	<u>-</u>	<u>24,425</u>
Capital assets, being depreciated:				
Land improvements	16,831			16,831
Buildings	234,357			234,357
Equipment, machinery, and furnishings	166,830	4,555		171,385
Vehicles	110,290	25,354		135,644
Infrastructure	<u>1,033,320</u>	<u>11,211</u>		<u>1,044,531</u>
Total capital assets, being depreciated	<u>1,561,628</u>	<u>41,120</u>	<u>-</u>	<u>1,602,748</u>
Less: Accumulated depreciation for:				
Land improvements	8,416	842		9,258
Buildings	78,119	3,125		81,244
Equipment, machinery, and furnishings	84,325	9,024		93,349
Vehicles	44,116	9,043		53,159
Infrastructure	<u>516,660</u>	<u>46,227</u>		<u>562,887</u>
Total accumulated depreciation	<u>731,636</u>	<u>68,261</u>	<u>-</u>	<u>799,897</u>
Total capital assets, being depreciated, net	<u>829,992</u>	<u>(27,141)</u>	<u>-</u>	<u>802,851</u>
Governmental activities, capital assets – net	<u>\$ 854,417</u>	<u>\$ (27,141)</u>	<u>\$ -</u>	<u>\$ 827,276</u>

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated – land	\$ 107,083	\$ -	\$ -	\$ 107,083
Capital assets, being depreciated:				
Water system	867,509	20,486		887,995
Sewer system	<u>2,066,088</u>	<u>20,486</u>		<u>2,086,574</u>
Total capital assets, being depreciated	<u>2,933,597</u>	<u>40,972</u>	<u>-</u>	<u>2,974,569</u>
Less: Accumulated depreciation for:				
Water system	199,220	31,984		231,204
Sewer system	<u>1,272,547</u>	<u>57,900</u>		<u>1,330,447</u>
Total accumulated depreciation	<u>1,471,767</u>	<u>89,884</u>	<u>-</u>	<u>1,561,651</u>
Total capital assets, being depreciated – net	<u>\$ 1,461,830</u>	<u>\$ (48,912)</u>	<u>\$ -</u>	<u>\$ 1,412,918</u>
Business-type activities - capital assets – net	<u>\$ 1,568,913</u>	<u>\$ (48,912)</u>	<u>\$ -</u>	<u>\$ 1,520,001</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 2,757
Department of Public Works	18,435
Culture and recreation	842
Highways and streets	<u>46,227</u>
Total depreciation expense – governmental activities	<u>\$ 68,261</u>
<b>Business-type activities:</b>	
Water system	\$ 31,984
Sewer system	<u>57,900</u>
Total depreciation expense – business-type activities	<u>\$ 89,884</u>

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**February 28, 2005**

**NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund receivables, payables, and transfers**

**Primary Government**

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 14,070	Local Street	\$ 2,203
		Major Street	2,203
		Water	8,236
		Sewer	<u>1,428</u>
	14,070		14,070
Local Street	6,000	Major Street	6,000
Water	3,500	General	3,500
Sewer	<u>202</u>	Water	<u>202</u>
	<u>\$ 23,772</u>		<u>\$ 23,772</u>

**Interfund transfers:**

	<u>Transfers In</u>			
<u>Transfers out:</u>	<u>Local Street</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
General Fund	\$	\$ 68,196	\$ 33,196	\$ 101,392
Major Street	<u>6,000</u>			<u>6,000</u>
	<u>\$ 6,000</u>	<u>\$ 68,196</u>	<u>\$ 33,196</u>	<u>\$ 107,392</u>

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 4. RETIREMENT PLAN (Continued)**

**A. PLAN DESCRIPTION**

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit pension plan, which provides retirement benefits to all full-time employees of the Village. MERS is administered by its Board of Trustees. The actuary for the System is the Segal Company. The Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 of the State of Michigan, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Village of Britton, that authority rests with the Village. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917.

**B. FUNDING POLICY**

Employees contribute a percent of their annual compensation, as selected by the municipality. Any percentage from 0% to 10% may be selected. A 3%/5% contribution program was available prior to 1985 and may be continued, but not adopted after 1984. Under this program, the employees contribute 3% of the first \$4,200 of annual compensation and 5% of portions over \$4,200. The Village is required to contribute the remaining amounts necessary to fund the plan, using an actuarial basis resulting in a level contribution method as required by State statute.

**ANNUAL PENSION COST**

For the year ended February 28, 2005, the Village's annual pension cost was zero. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included -

- [a] 8.0% investment rate of return,
- [b] projected salary increases of 4.5% per year compounded annually,
- [c] the assumption that benefits will increase 2.5% per year (annually) after retirement.

**VILLAGE OF BRITTON, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**February 28, 2005**

**NOTE 4. RETIREMENT PLAN (Continued)**

The actuarial value of MERS' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five year period.

Currently, there is no unfunded actuarial accrued liability.

Actuarial Accrued Liability (as of 12/31/2003)	\$ 65,818
Retirees and beneficiaries currently receiving benefits	
Terminated employees not yet receiving benefits	
Current employees --	
Accumulated employee contributions including	
allocated investment income	48,841
Employer financed	<u>40,278</u>
Total Actuarial Accrued Liability	154,937
Net Assets Available for Benefits at Actuarial Value	<u>206,328</u>
(Market Value is \$188,400)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ (51,391)</u>

**THREE YEAR TREND INFORMATION**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
February 28, 2003	-0-	100%	0
February 29, 2004	-0-	100%	0
February 28, 2005	-0-	100%	0

**SCHEDULE OF FUNDING PROGRESS**

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>[a]</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>Entry Age</u> <u>[b]</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>[b-a]</u>	<u>Funded</u> <u>Ratio</u> <u>[a/b]</u>	<u>Covered</u> <u>Payroll</u> <u>[c]</u>	<u>UAAL</u> <u>as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>[(b-a)/c]</u>
12/31/01	\$ 192,055	\$ 136,296	\$ (55,759)	140.9%	\$ 56,633	-
12/31/02	194,682	142,270	(52,412)	136.8%	56,721	-
12/31/03	206,328	154,937	(51,391)	133.2%	61,194	-